

Director of
Central
Intelligence

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National Intelligence Board

Washington

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Date JUN 1999

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PANAMA:

Situation Report

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Noriega Winning Propaganda War

Noriega is skilfully combining his control of Panamanian media with effective propaganda both to rally popular support for his remaining in power and to provoke anti-US sentiment. [REDACTED]

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[REDACTED] The regime is using its complete control over local newspapers to plant false information, such as a list of 220 Panamanians to be "executed by US-sponsored death squads," and has harassed journalists, closed down radio stations, and apparently sabotaged a television station to stifle other sources of objective reporting. Only the US armed forces media network remains unaffected. Partly as a result of the propaganda campaign, [REDACTED] [REDACTED] some businessmen now believe the US is trying to destroy their companies. [REDACTED]

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Meanwhile, some members of the ruling Democratic Revolutionary Party believe that Noriega—who has successfully portrayed himself as Panama's David fighting the US Goliath—would make a viable candidate for president. [REDACTED]

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~~b (3)~~ The regime's propaganda is probably contributing to the mood of despair and resignation among opposition sympathizers. The longer Noriega is able to stay in power despite US pressures, the more likely it is that he will be able to turn popular anger and frustration against the US. ~~b (3)~~

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PERSIAN GULF: Situation Report

**Military Activity
in the Gulf**

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[redacted] Iran is gradually resuming its normal pattern of naval operations near the Strait of Hormuz but probably is wary of a confrontation with US forces [redacted]

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Ground War

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[redacted] Iraq's buildup [redacted] continues to suggest that Baghdad may be planning a major ground operation [redacted] It may also be attempting to draw Iranian efforts to the area to weaken any Iranian attack to recapture the Al Faw Peninsula [redacted]

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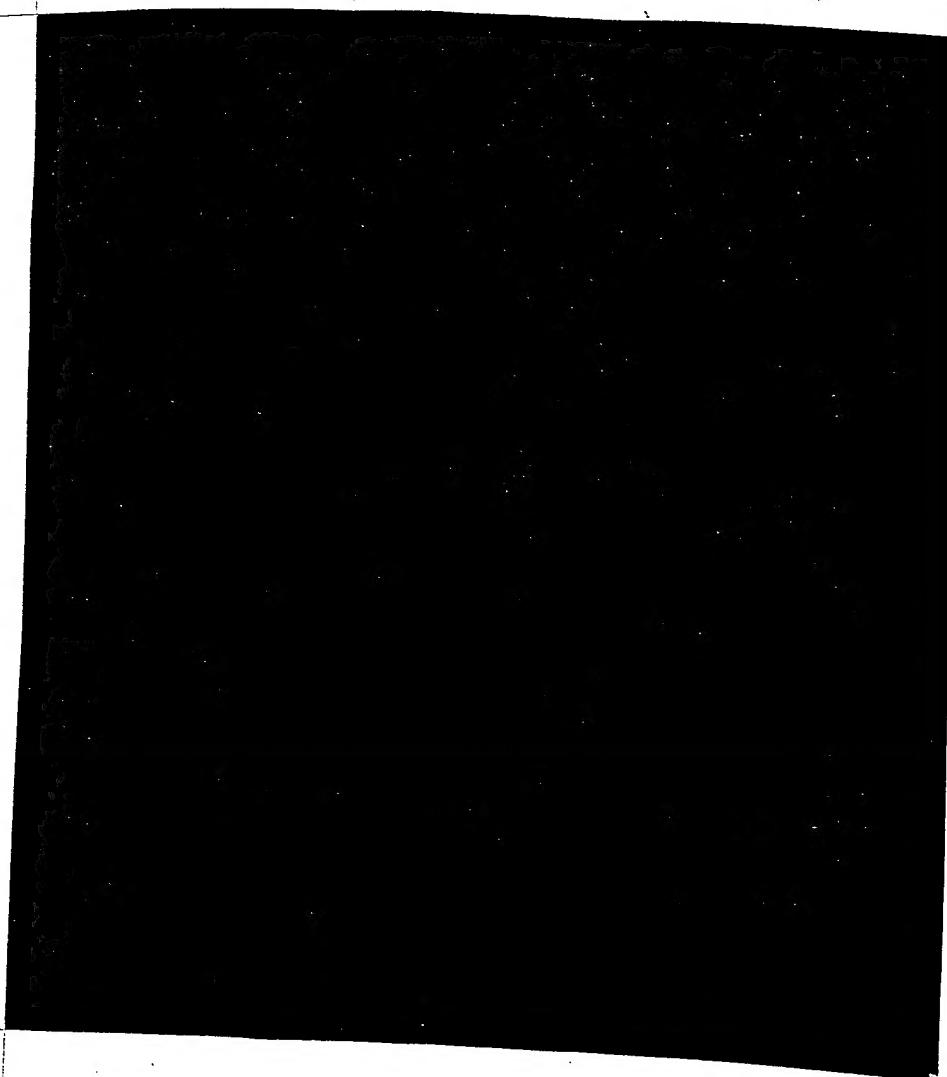
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POLAND:

Strike Ends

The end of the strike in Gdansk will probably defuse the unrest in Poland, but it leaves the key parties—the regime, Solidarity, and the Catholic Church—relatively weaker and facing new political challenges over the summer.

[REDACTED] In an apparent gesture of contempt for the regime, the strikers at Gdansk ended their eight-day strike last night without accepting any government concessions.

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The strikers at Gdansk had felt increasingly isolated as Solidarity leader Lech Walesa's calls for nationwide sympathy strikes failed to generate new activity since the short-lived Ursus Tractor Factory strike on Monday. In addition, church negotiators reportedly had urged Walesa to accept a compromise to end the strike.

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[REDACTED] The peaceful end of the strike will not spare Poland a difficult summer as the regime, Solidarity, and the church reevaluate their positions. Polish leader Jaruzelski can take comfort from having contained the unrest through the adroit use of force, conciliation, and manipulation, but the regime also has suffered some serious setbacks. Jaruzelski's position has been damaged, and doubts over his ability to deal with Poland's problems will reemerge within the party. The regime also needs to salvage its economic reform program, if only to keep alive diminished hopes for IMF assistance, and it must avoid provoking further unrest in an atmosphere of increased distrust.

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Walesa and the other Solidarity leaders will claim that the strikes showed workers' willingness to challenge the regime and take up political causes. They must deal, however, with the lack of labor support for the strikes and must integrate the new generation of labor leaders who surfaced in the strikes. Younger workers proved to be more radical than most Solidarity veterans, and Walesa must moderate such youthful militancy if he is to present Solidarity and himself as acceptable interlocutors for the authorities.

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The church will be pleased that the Gdansk strike was resolved without bloodshed, but its leaders were embarrassed and angered by the regime's manipulation of their role at Nowa Huta. The church must also decide whether it was wise to intervene openly during the crisis and whether to increase its efforts to bring the regime and workers together during periods of relative calm.

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ECUADOR:

Borja's Foreign Policy Views

President-elect Borja's public backing of a tougher stance in negotiations with foreign creditors reflects his intention to move Ecuador's foreign policy toward the left when he takes office in August.

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Borja told the press on Monday he will reject the tentative \$350 million debt-rescheduling agreement with commercial banks that President Febres Cordero approved last month. He claims the accord ignores Ecuador's current financial situation, which has deteriorated because of lower world oil prices. While Borja has indicated he is willing to renegotiate Ecuador's \$9.2 billion debt, he has called for cooperation among Latin debtors, arguing that as a group they can press international creditors for better terms.

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Borja has repeatedly criticized Febres Cordero's close ties to Washington and has said he will pursue a foreign policy oriented more toward the Third World. He has pledged to reestablish relations with Nicaragua, which Febres Cordero broke in 1985. Borja's advisers, however, have expressed support for Quito's tough stance against narcotics trafficking.

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The President-elect's rejection of Ecuador's debt agreement probably dooms the accord. It has already been troubled by disputes over terms within Febres Cordero's economic team, and Borja almost certainly will repudiate any agreement signed during the remaining months of Febres Cordero's term.

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In addition to reestablishing ties to Nicaragua, Borja is likely to follow other South American leaders in improving relations with Cuba. To demonstrate his independence from Washington, he may also seek admission to the Group of Eight—the Contadora Four plus four South American democracies.

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USSR:

Gorbachev Scores Opponents of Reform

In a speech to Soviet media officials published yesterday, General Secretary Gorbachev criticized top officials who question perestroika—an apparent allusion to party "Second Secretary" Ligachev—and vigorously reaffirmed the leadership's commitment to continuing the reform process.

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On Saturday, with Ligachev in attendance, Gorbachev said "some people have failed to keep their heads" in the face of difficulties in implementing reform and have wrongly concluded that reform is "destabilizing" Soviet society. Gorbachev said this confusion over perestroika had affected the country "not only at the ground level, but also on the top." He urged the media to "support everything that is progressive" in discussing reform. At the same time, he warned against branding those with honest doubts as "enemies of perestroika."

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Meanwhile, Ligachev continues to carry on a normal routine in public. Besides appearing at the media conference Saturday with the rest of the Secretariat, he saw President Gromyko off to Romania yesterday, and last week paid a visit to a Moscow publishing house together with Moscow party leader Zaykov.

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~~Ligachev would show up at various functions but insisted that his status had been reduced and that his future was in doubt. Soviet state radio and television would no longer report to Ligachev.~~

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~~Gorbachev's assertive speech is another indication that he currently has the upper hand in the struggle with party conservatives. Ligachev's presence, and Gorbachev's admonition against using the "enemy" label, were probably intended to show unity—especially with the US-Soviet summit approaching—and to reassure moderates that there is room in the party for diverse views.~~

Nevertheless, Ligachev's position as "second secretary" may not be secure despite his continued routine public activities. Soviet leaders frequently remain active until formal action is taken to remove or transfer them. The struggle over reform is sharpening, and those opposing the conservative views of Ligachev dominate the debate. Letters supporting conservative ideas are being overwhelmed by proreform articles and discussions—many of them militantly radical and openly hostile to the forces of the party apparatus that are Ligachev's main base of support.

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USSR:

Opposition Party an Awkward Problem for Gorbachev

A coalition of dissident and unofficial groups—by attempting to form a nationwide independent political party—has overstepped the bounds of regime tolerance, posing a dilemma for General Secretary Gorbachev who wants to encourage political participation without alarming party conservatives.

Some 150 delegates of unofficial groups from 15 Soviet cities met in Moscow over the weekend to organize the Democratic Union and called for a multiparty system, free elections, a free press, and independent trade unions. On Sunday, police detained 60 organizers, although most were later released, and on Monday police disrupted a gathering of the new party's leaders at the independent journal *Glasnost* and jailed its editor, Sergey Grigoryants, and three staff members.

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By openly presenting themselves as an alternative party, the group has challenged the Communist Party's political monopoly. As the most visible and politically active of the unofficial groups that have sprung up in the past two years, the Democratic Union is a far more serious threat than the small and isolated earlier "opposition parties" such as the Estonian separatists whose leaders were viciously attacked in January and then forced into exile or conscripted into the army.

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Despite efforts to head off the creation of this particular party, the regime has tolerated the broader activities of unofficial groups. Speaking in Tashkent last month, Gorbachev said the sudden increase in informal groups has occurred because "people are not satisfied with the activity of existing organizations," including the Communist Party. He has called for greater citizen participation in political life under the banner of "socialist pluralism."

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While Gorbachev may ultimately use the group's challenge to argue for a reformed and more democratic Communist Party, he must be careful his encouragement of political initiative is not used as ammunition by conservatives to show that his policies are a threat to the stability of the system. The formation of alternative parties—even to the limited degree that they exist in Eastern Europe—would meet overwhelming opposition within the party. The harassment of the delegates suggests that even Gorbachev and those pushing for greater public participation are not prepared to accept an open challenge—even by an avowedly loyal opposition—to one-party rule.

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LEBANON: Latest Cease-fire Breaks Down in West Beirut

The ninth cease-fire since Friday between pro-Syrian Amal and pro-Iranian Hizballah militiamen collapsed last night. The cease-fire failed despite the deployment into the battle zone yesterday of six security committees comprising representatives of the two organizations as well as the Iranian Embassy and the Syrian armed forces.

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Comment: The failure of the latest cease-fire plan will increase the pressure on Syria to respond forcefully. The Syrians reiterated yesterday that they will intervene if the fighting does not stop. Syrian credibility is particularly at risk because of the Lebanese presidential election due this summer, and Damascus may now consider a limited application of indirect military pressure on Hizballah.

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ISRAEL-LEBANON: Military Operation in Retrospect

Israel's sweep operation in southern Lebanon last week has not deterred terrorist attacks by Hizballah and radical Palestinians.

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Hizballah nevertheless claimed that a rocket attack on northern Israel Friday morning showed the sweep was a failure. Last Sunday, the press reported that 250 Hizballah fighters returned to Maydun, which the group claimed had again become a base for operations against Israel.

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_____ and the press reports a Popular Front for the Liberation of Palestine fighter was killed on Monday in the security zone while en route to Israel.

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Comment: The Israeli sweep warned Hizballah and Palestinian groups that Tel Aviv would not tolerate increased terrorist attacks, but in other respects apparently was not a major success. The Israeli public initially supported the operation, but subsequent press commentaries suggest growing skepticism. The Israel Defense Forces suffered relatively high casualties, and Tel Aviv may come to regard the operation as Pyrrhic victory if Hizballah recovers quickly.

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**Denmark: Parliamentary Representation as a Result of
Last Two Elections**

	10 May 1988	September 1987
Total	179	179
Nonsocialist government	70	70
Conservative Party	35	38
Liberal Party	22	19
Center Democratic Party	9	9
Christian People's Party	4	4
Support parties	26	20
Progress Party	16	9
Radical Liberal Party	10	11
Socialist	79	85
Social Democratic Party	55	54
Socialist People's Party	24	27
Left Socialist Party	0	0
Common Course	0	4
Other	4	4
Greenland	2	2
Faroe Islands	2	2

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DENMARK: Election Strengthens NATO Proponents

The Danish election yesterday has strengthened the parties that opposed the 14 April resolution on ship visits, but Prime Minister Schlueter still does not have a dependable majority for his pro-NATO security policies. The results show Schlueter's minority coalition broke even while leftist parties lost six seats. The largest gainer was the rightwing Progress Party, which supports the Schlueter government on the ship-visit issue. Schlueter was cautious in postelection comments, although he implied he will remain as Prime Minister. [REDACTED]

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[REDACTED] Although the results probably give Schlueter enough parliamentary support to either revise or rescind the ship-visit resolution, the election was not a mandate for more active Danish participation in NATO. The gains by the Progress Party may complicate Schlueter's effort to reconstruct his government because his smaller coalition partners will be reluctant to grant increased influence to the Progress Party on issues such as foreign aid and immigration policy. Social Democratic opposition leader Auken's ability to cooperate with the government on some security and defense issues has probably been enhanced because of losses by far-left parties. [REDACTED]

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SRI LANKA: Sinhalese Marxist Insurgents Sign Accord

Sri Lankan Minister of National Security Athulathmudali announced yesterday that the Marxist Sinhalese insurgent group, the Janatha Vimukthi Peramuna, has agreed to give up violence and surrender its arms in return for restoration of the group's right to political activity. Both rival leaders of the JVP signed the agreement with the Sri Lankan Government, and the accord took effect immediately.

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[REDACTED] The agreement will benefit the government if it permits next month's round of provincial elections to be conducted peacefully. The ruling United National Party hopes JVP candidates will draw support from the opposition Sri Lanka Freedom Party by appealing to Sinhalese nationalism, even though the JVP opposes the Indian military presence in northern Sri Lanka. The JVP may expect to do well in its southern strongholds but probably is overoptimistic and may ultimately return to force to achieve its goals. [REDACTED]

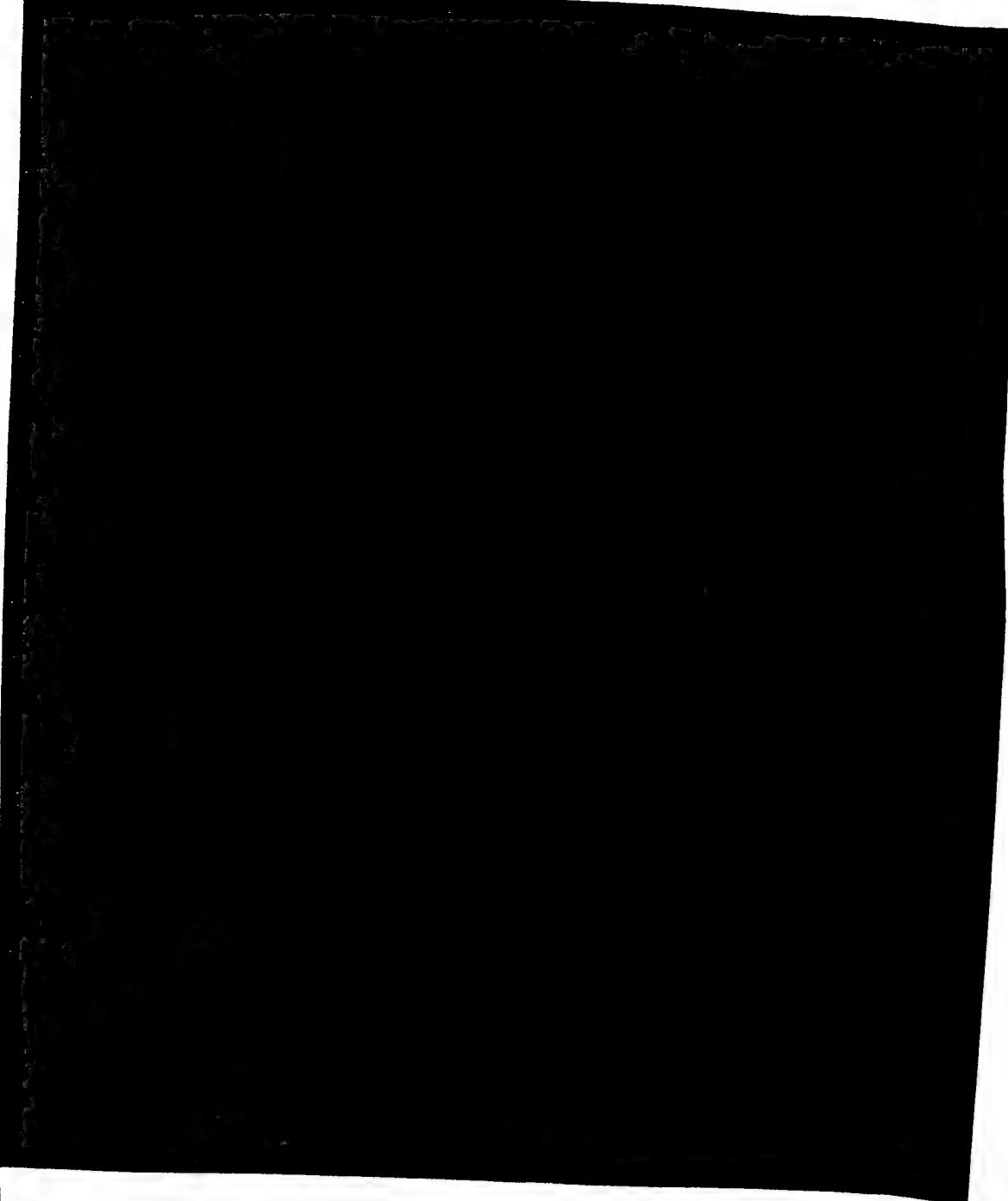
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ARGENTINA: Alfonsin Visits China

Argentine President Alfonsin begins a three-day visit to China today. He will emphasize bilateral trade issues and continue negotiations on a broad aerospace technology agreement, which may include the purchase of Chinese combat aircraft. [REDACTED]

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[REDACTED] the Chinese will press Alfonsin to redress the extreme trade imbalance, and Alfonsin will counter by proposing a \$300 million trade credit and an agreement to buy Chinese coal. The delegation will also sign bilateral agreements on several issues, including nuclear cooperation and the establishment of an Argentine consulate in Guangzhou. [REDACTED]

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[REDACTED] Argentina's trade surplus declined substantially last year, and Alfonsin probably hopes to avoid a major shift in the Sino-Argentine trade balance. In April, Argentine Air Force pilots examined two types of fighters that China is offering at good terms, and the presence of the Air Force chief in the delegation indicates an aircraft purchase may be in the offing. [REDACTED]

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CHINA: Reconsidering Price Reform

Chinese leaders are debating a major price reform for the first time since 1986. [REDACTED] Proponents admit that freeing prices might aggravate inflation in the near term but are reportedly arguing that administrative measures, including tighter price controls imposed in August, have failed to slow inflation. Guangdong and other reform-oriented provinces recently raised retail prices of important food items such as grain with no reported repercussions. [REDACTED]

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[REDACTED] Beijing's seesaw approach to economic policy over the past two years reflects both disagreements over policy and a struggle for influence, as new leaders maneuver to consolidate their positions. General Secretary Zhao Ziyang and other reformers probably are using the new price reform proposals and price hikes in selected areas to build support for a nationwide increase in grain prices this summer, which they hope will boost food supplies. Zhao apparently is using opinion polls that show only moderate consumer dissatisfaction with inflation to argue that Beijing can risk more far-reaching price decontrol. However, a widening budget deficit and the continued caution of many State Council officials—who may cite recent instances of panic buying of consumer items—probably will force Zhao to continue a slow-paced approach to price reform. [REDACTED]

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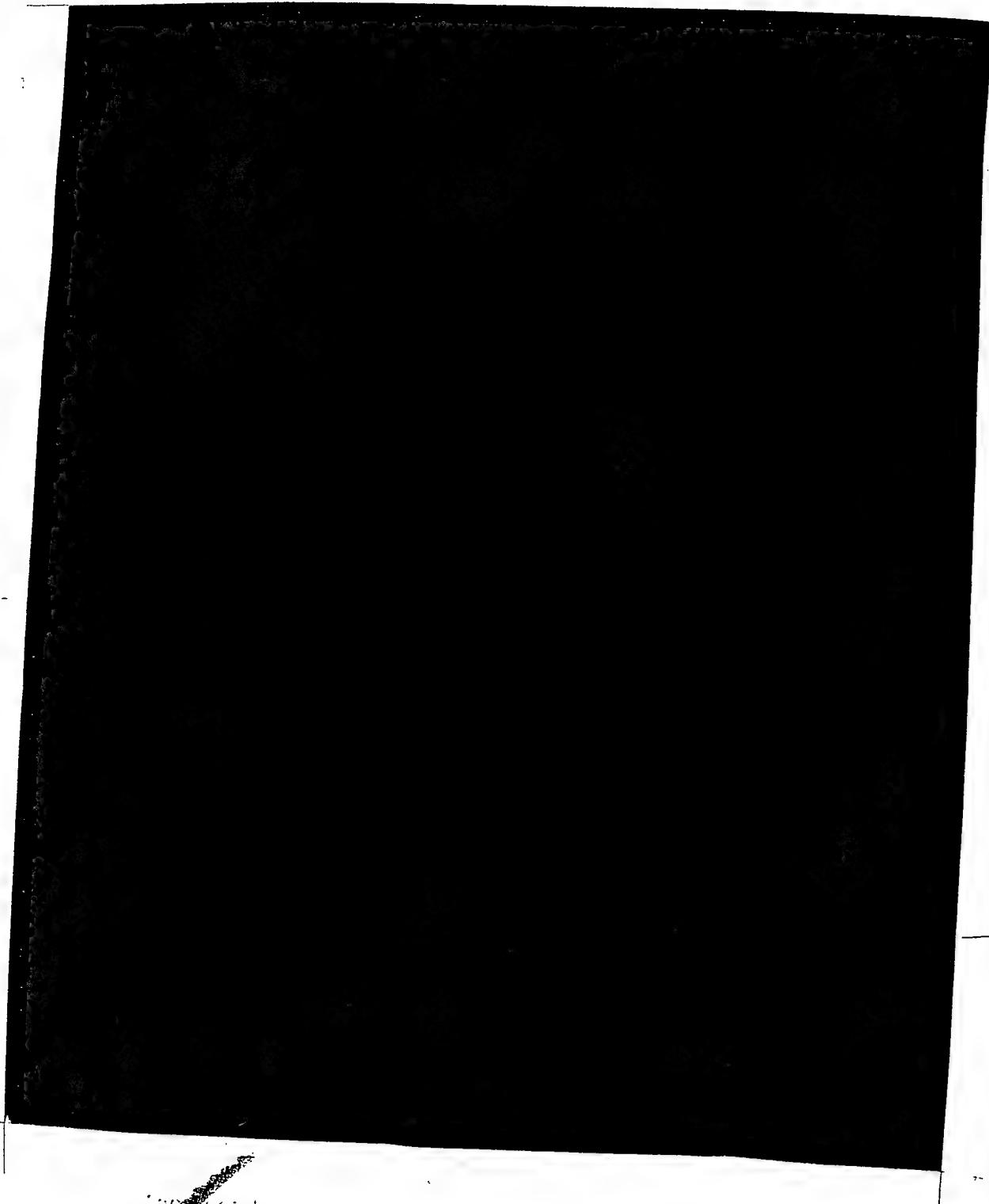
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In Brief

Americas



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- Supreme **Soviet** delegation made rare tour of Caribbean in April, stressing economic ties rather than aid . . . received by heads of state in Guyana, Jamaica, **Trinidad and Tobago** . . . reflects growing effort to establish contacts in region. [REDACTED]

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USSR

- *Izvestiya* calls Senate's delay of INF debate "political game" in election campaign . . . Soviet Foreign Minister says verification settled and Moscow has no new proposals . . . Ministry spokesman notes Moscow expects ratification on time. [REDACTED]

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Oceania

- Newly independent **Marshall Islands** protesting repeated violation of territorial waters by **Soviet** intelligence ship . . . first diplomatic contact . . . ship targeting US missile-testing impact site on Marshall's Kwajalein Island. [REDACTED]

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South Asia



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Terrorism



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Middle East

- Unusually high spring floods in **Turkey** creating lake behind partially completed Ataturk Dam on Euphrates River . . . may accelerate scheduled 1991 filling of reservoir, easing hardship on downstream water users **Syria, Iraq**. [REDACTED]

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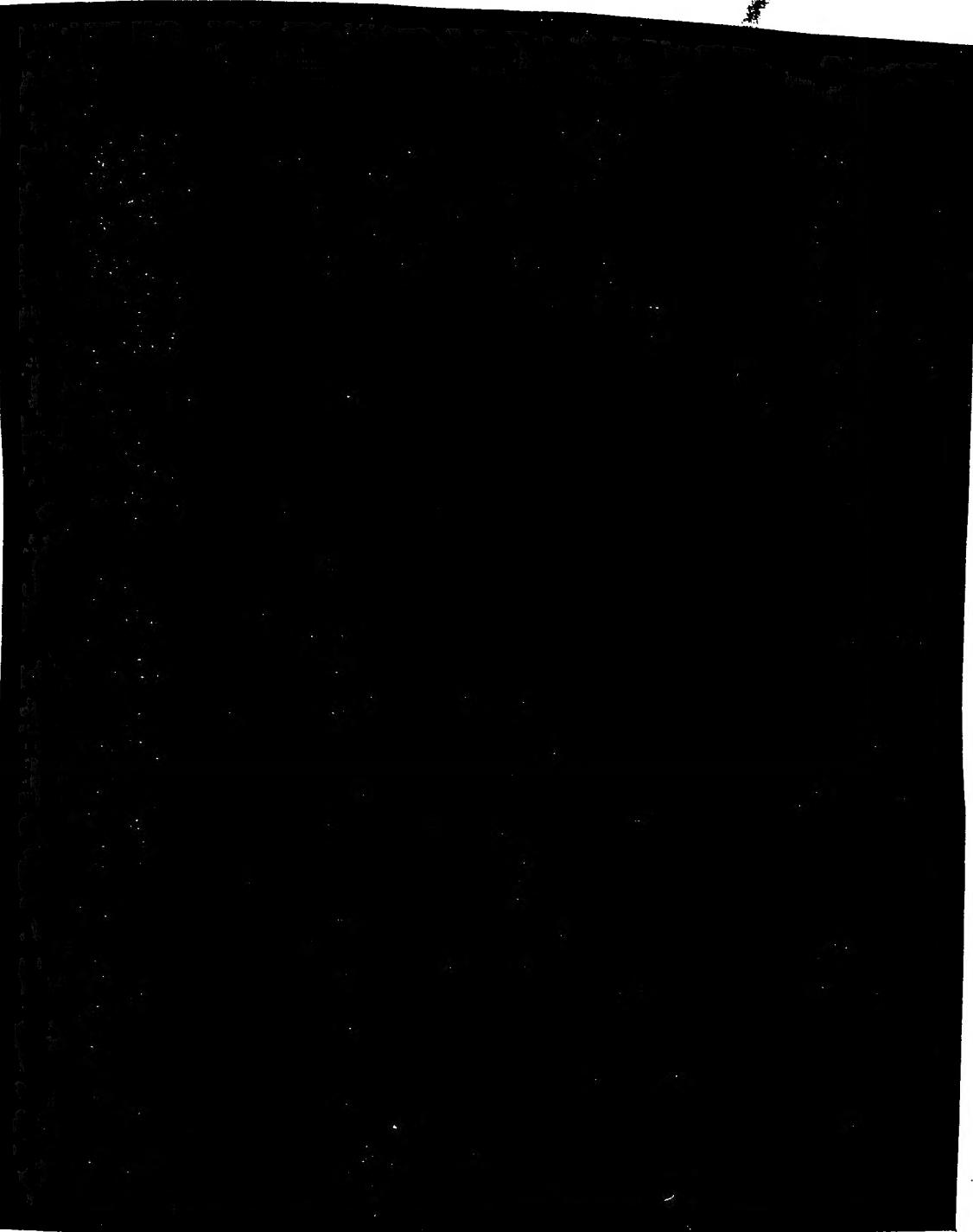
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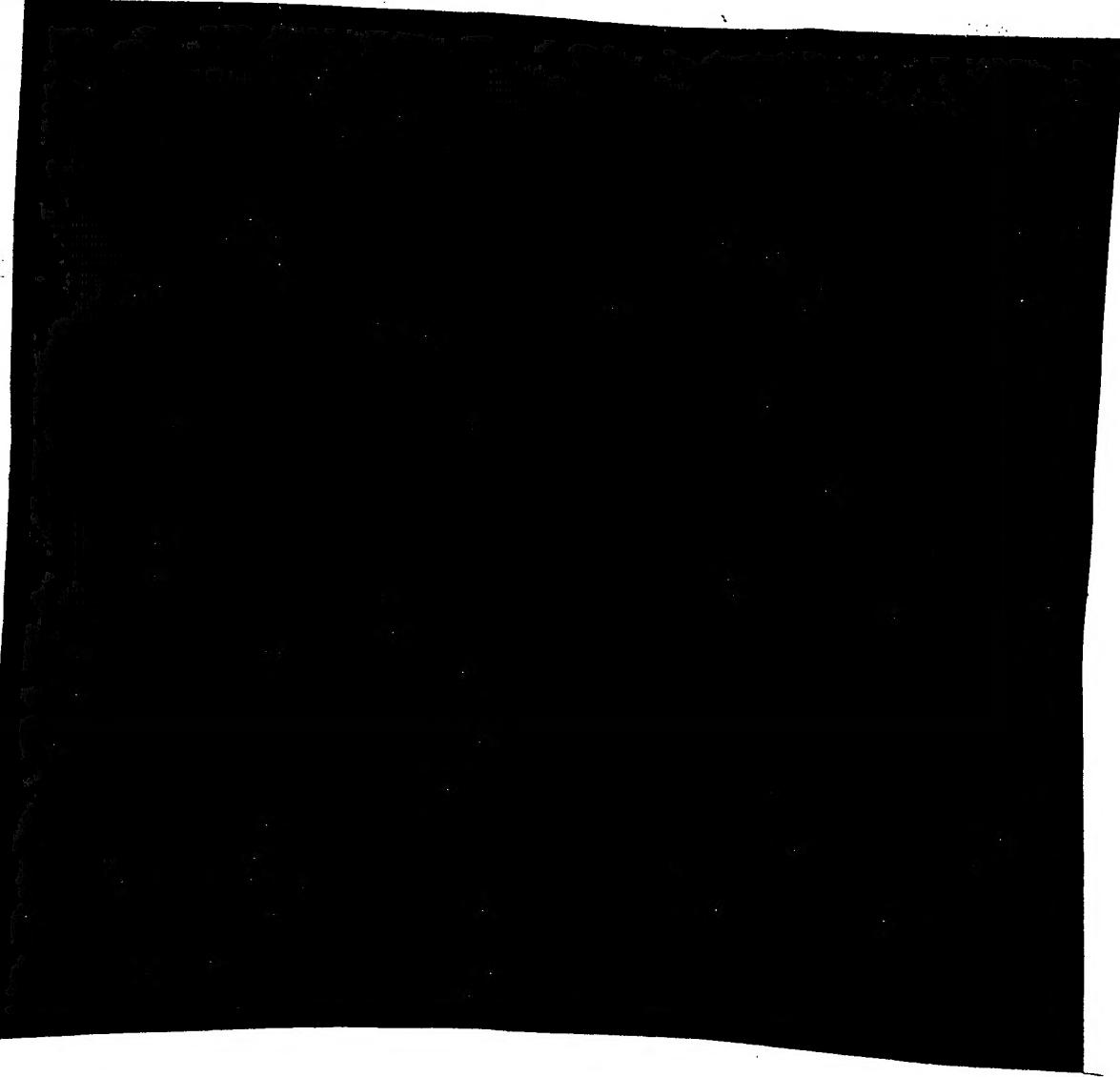
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